

# The Real Estate ANALYST

SEPTEMBER  
1946

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.....Surveys.....Forecasts

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VOLUME XV

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## COST ON A BRICK VENEER HOUSE

**T**HE construction costs on the six-room standard frame house that we have been reporting since 1940 have proved so useful that we have decided to publish similar information on several other types of buildings. For this issue we have compiled the construction costs from 1913 to the present on a standard five-room brick veneer bungalow. These figures appear on page 281.

We have chosen a simply designed, well arranged house which we feel is typical of many parts of the country. The plans and specifications call for concrete foundation, concrete basement floor, concrete front and rear stoops, frame walls with face brick veneer, 3-coat plaster walls, oak flooring, pine B & B trim, 1 3/8 inch 6-panel #1 pine doors, tile wainscot and floor in bathroom and tile wainscot in kitchen, kitchen cabinets, 210-lb. asphalt shingle roof with copper gutters and downspouts, modern bathroom fixtures, warm air heat, modern electrical installation, 4-inch insulation in walls and ceiling.

The house is not completed ready for occupancy; it includes all fundamental structural elements, an unfinished cellar and unfinished attic. It does not include wallpaper or other wall or ceiling finish, lighting fixtures, refrigerator, water heater, range, screens, weather stripping or window shades. The cost of the land is not included or the cost of surveying the land, the cost of planting the lot, or of providing walks and driveways. The architect's fee, cost of a building permit, financing charges, and sales cost are not included.

In the 34 years for which these figures are available many changes have necessarily been made. From 1913 through 1936 the heating costs were for a gravity circulated warm air system. From 1937 to the present the heating costs are for a forced circulation warm air system with automatic humidifier. The kitchen cabinets have also been changed. From 1913 through 1939 the costs were compiled on two old style dresser-type cabinets. From 1940 to the present the costs for kitchen cabinets have been calculated on the basis of using a modern cabinet sink with four other modern base and wall units. Insulation costs were first brought into the total cost in 1930. In 1921 the plumbing costs were changed to incorporate modern fixtures such as a built-in tub and pedestal lavatory and in 1924 tile wainscot in the kitchen and bath was brought into the total cost. Copper guttering, downspouts and flashing have been in and out several times due to World Wars I and II. For any unavailable material the best substitute obtainable was figured.

More complete specifications and larger plans will be distributed in the future, and up-to-date cost data will be published in the Real Estate Analyst on both the six-room frame house and the five-room brick veneer house.

# BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS



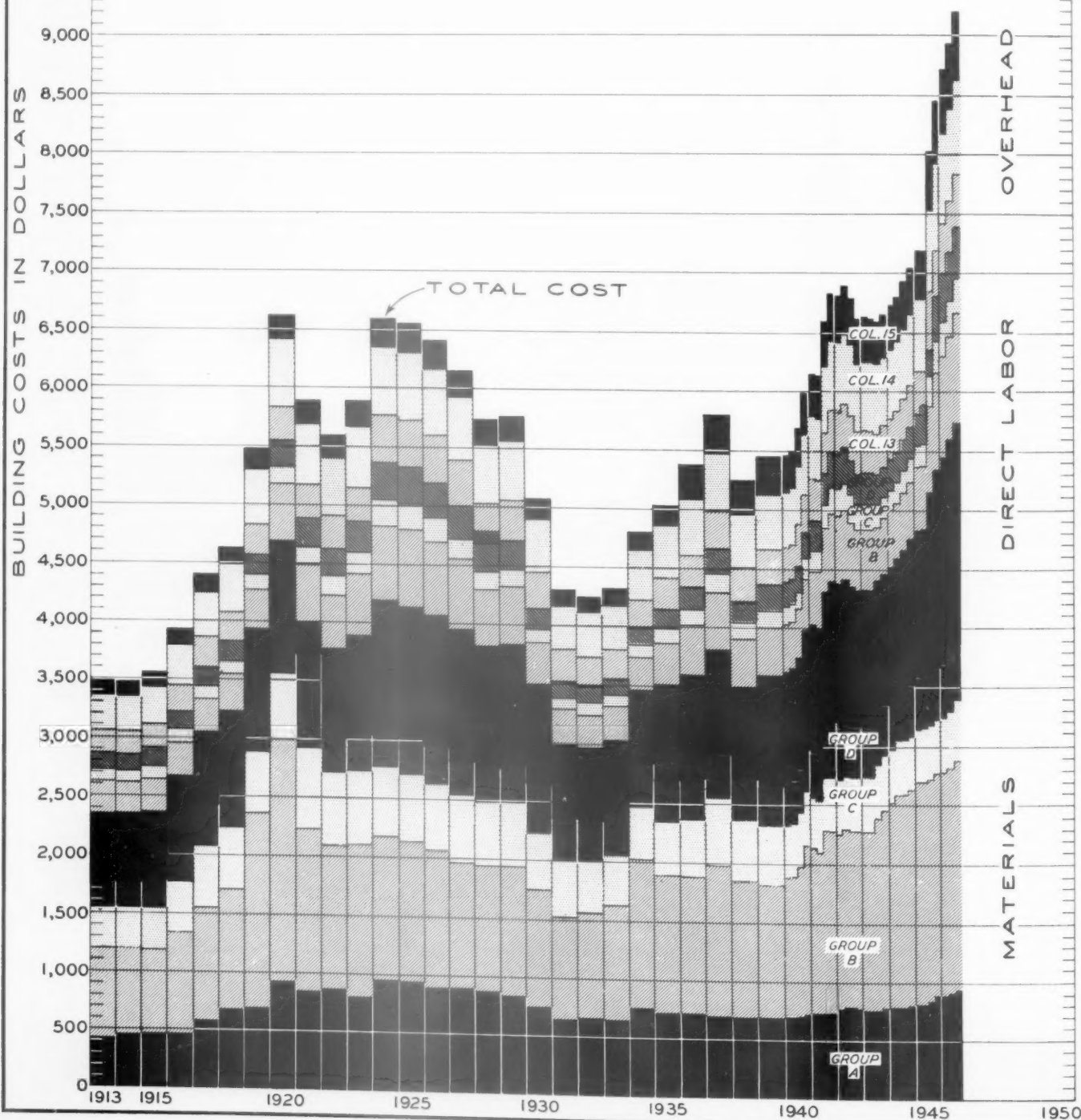
23,913 CUBIC FEET



FIRST FLOOR PLAN



BASEMENT PLAN



# BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red by the letter L.

\*No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

## Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

## Group B

(3) Unfinished Lumber: "H" columns, "I" beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

## Group C

(6) Heating: Furnace, blower, ducts, registers and metal work.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

## Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware, bonding clips.

(11) Painting: White lead, linseed oil, turpentine, varnish, shellac, filler.

(12) Miscellaneous: Wood laths, corner bead, insulation.

## Total Material and Labor Costs

## Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

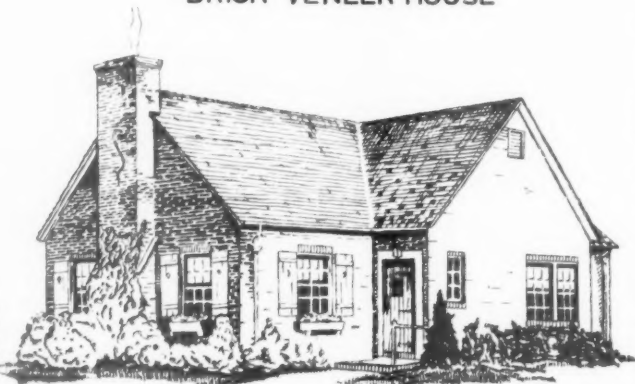
## TOTAL CONSTRUCTION COST

GROUP A					GROUP B					GROUP C					GROUP D					GROUP E					TOTAL
Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	Total	(13)	(14)	(15)	(16)								
	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L			
1913	\$397	\$577	\$15	\$5	\$280	\$98	\$242	\$81	\$272	\$87	\$122	\$18	\$224	\$87	\$65	\$14	\$36	\$38	\$68	\$24	\$46	\$30	\$37		
1914	437	577	15	5	265	98	225	81	272	87	115	18	228	87	59	14	33	38	68	24	46	29	37		
1915	445	577	15	5	263	105	202	88	255	95	129	19	245	92	68	15	38	41	71	25	55	26	39		
1916	453	599	15	5	346	105	239	88	285	95	151	19	283	92	101	15	56	41	82	32	55	30	39		
1917	559	638	16	5	389	106	275	88	312	95	206	19	314	96	108	15	60	43	92	41	55	35	39		
1918	655	654	16	6	395	116	311	96	353	103	191	21	321	97	95	16	53	43	96	47	59	40	41		
1919	769	708	16	6	551	124	554	103	575	111	192	22	324	102	83	18	46	45	94	48	64	71	44		
1920	909	736	18	6	622	177	646	147	801	158	243	32	338	119	83	25	46	52	108	59	91	82	50		
1921	826	772	16	7	487	182	512	151	397	162	180	33	503	123	64	26	36	54	85	47	93	65	61		
1922	752	771	16	7	396	169	386	140	443	151	166	30	470	130	64	24	36	57	78	43	86	49	58		
1923	783	844	16	8	445	195	437	162	424	173	194	35	442	146	70	28	39	64	85	43	100	56	69		
1924	749	995	201	135	427	238	428	198	379	191	196	43	397	176	64	34	36	78	86	53	122	54	62		
1925	744	994	201	135	412	244	403	203	364	218	191	44	398	164	68	35	38	72	83	56	125	51	83		
1926	695	994	201	135	417	233	420	193	334	208	182	42	396	156	69	35	38	69	82	54	119	51	76		
1927	697	994	201	135	390	221	398	184	275	198	179	40	396	129	67	32	37	52	82	51	114	49	62		
1928	696	917	168	123	430	179	361	148	290	159	168	32	377	120	71	26	40	52	82	47	91	44	62		
1929	693	917	149	123	425	179	390	148	294	159	169	32	376	120	82	26	46	52	83	49	91	47	62		
1930	594	727	149	123	394	131	370	110	243	118	161	24	337	91	71	19	39	39	75	49	68	163	47		
1931	525	570	125	72	346	105	326	88	198	95	157	19	321	74	58	15	32	32	68	47	55	152	39		
1932	547	570	112	65	297	105	386	88	221	95	146	19	288	74	50	15	28	32	67	42	55	152	39		
1933	544	570	105	65	377	105	320	88	279	95	146	19	282	74	52	15	29	32	63	39	55	164	39		
1934	657	570	98	65	452	105	427	88	388	95	152	19	293	74	55	15	31	32	68	39	55	170	39		
1935	625	727	91	84	402	131	365	110	411	118	156	24	303	91	43	19	24	39	66	39	68	173	47		
1936	623	794	91	84	380	155	370	127	385	136	161	27	315	106	50	21	28	45	66	41	77	168	52		
Ja 1937	614	813	91	84	405	181	406	149	419	136	212	56	326	106	59	26	33	45	69	44	82	173	52		
Ap 1937	610	813	91	84	441	181	440	149	464	159	212	56	358	106	55	26	35	45	69	46	82	173	52		
Ja 1937	606	837	91	84	438	181	446	149	465	159	212	56	354	127	53	26	29	45	68	46	82	173	52		
O 1937	606	811	91	84	376	179	408	148	465	159	212	56	352	106	48	26	27	45	69	46	82	170	52		
Ja 1938	606	701	83	84	376	158	358	129	464	136	204	48	335	103	48	22	27	45	69	42	68	170	41		
Ap 1938	606	701	83	84	352	158	335	129	465	136	204	48	327	103	45	22	25	45	69	41	68	168	41		
Ja 1938	610	701	83	84	352	158	340	129	430	121	205	48	307	103	45	22	25	45	68	42	68	168	41		
O 1938	610	680	83	84	357	138	340	113	430	120	205	42	307	103	48	20	27	45	68	42	68	168	41		
Ja 1939	610	680	83	97	362	138	349	113	413	120	206	42	308	103	49	20	27	45	69	42	68	144	41		
Ap 1939	604	684	83	97	357	160	348	133	399	143	206	50	295	106	48	23	27	45	68	43	91	144	62		
Ja 1939	611	684	83	97	354	160	343	133	398	143	208	50	296	106	46	23	26	45	67	44	91	144	62		
O 1939	609	684	83	97	409	160	395	133	398	143	208	50	283	106	52	23	29	45	68	45	91	144	62		
Ja 1940	609	853	83	97	399	152	371	129	410	127	215	50	220	106	58	21	32	45	69	45	73	144	62		
Ap 1940	609	853	83	97	405	152	359	129	439	127	215	50	231	106	63	21	35	45	69	47	73	144	62		
Ja 1940	609	853	83	97	410	152	359	129	439	127	215	50	231	106	63	21	35	45	69	49	73	144	62		
O 1940	609	852	114	108	505	157	444	131	486	128	215	50	244	127	63	21	31	45	70	51	73	153	71		
Ja 1941	621	986	114	108	503	176	450	147	488	142	218	56	210	132	60	23	28	45	73	52	82	153	79		
Ap 1941	591	974	126	108	480	176	413	147	481	142	218	56	217	124	60	23	28	45	75	52	102	153	79		
Ja 1941	611	1012	126	108	590	202	445	169	485	164	219	56	217	124	87	23	27	50	77	55	102	165	79		
O 1941	613	1095	126	108	608	219	439	183	507	178	219	90	230	143	100	36	33	56	85	56	114	170	79		
Ja 1942	613	1113	138	108	538	224	431	185	507	178	219	90	241	144	58	36	49	56	84	56	114	172	80		
Ap 1942	640	1113	138	108	541	224	451	185	525	178	219	90	235	144	58	36	51	56	84	58	114	171	80		
Ja 1942	640	1113	138	108	542	227	449	187	525	179	219	90	235	159	53	36	51	51	84	58	114	171	76		
O 1942	640	1051	128	108	539	201	457	167	525	160	218	90	235	124	53	36	51	51	84	58	102	171	74		
Ja 1943	640	1051	119	108	539	201	457	167	525	160	229	90	236	124	53	36	51	51	84	58	102	167	74		
Ap 1943	640	1051	119	108	539	201	457	167	525	160	227	90	236	124	53	36	51	51	83	58	102	167	74		
Ja 1943	640	981	119	125	539	184	457	151	525	143	227	84	236	124	53	33	51	50	84	58	102	167	74		
O 1943	640	981	119	125	626	184	540	151	525	143	227	56	236	124	53	24	51	50	84	58	102	179	74		
Ja 1944	640	981	138	125	626	184	593	151	529	143	226	56	236	124	53	24	51	50	84	58	102	179	74		
Ap 1944	640	981	138	125	659	184	618	151	529	143	226	56	236	124	53	24	51	50	84	58	102	179	74		
Ja 1944	640	981	138	125	659	184	618	151	538	143	226	56	236	124	53	24	51	50	84	58	102	179	74		
O 1944	659	1102	138	125	659	184	621	151	535	143	226	56	236	132	53	24	51	50	84	58	102	185	88		
Ja 1945	659	1117	138	125	659	206	621	169	607	161	226	56	236	132	53	24	51	50	84	58	102	185	88		
Ap 1945	673	1117	138	125	659	206	621	169	607	161	226	56	236	132	53	24	51	50	84	58	102	185	88		
Ja 1945	673	1117	138	125	659	227	621	187	607	179	226	56	239	132	53	24	51	56	84	58	114	185	92		
O 1945	749	1530	139	142	650	317	625	261	607	250	226	56	239	208	53	24	51	79	84	58	154	185	118		
Ja 1946	753	1609	139	142	650	333	625	276	607	250	230	84	242	213	59	36	51	87	84	58	165	185	113		
F 1946	753	1609	139	142	650	333	625	276	607	250	230	84	242	213	59	36	51	87							

# CONSTRUCTION COSTS OF A SIX ROOM FRAME HOUSE COMPARED WITH COSTS OF A FIVE ROOM BRICK VENEER HOUSE ST. LOUIS

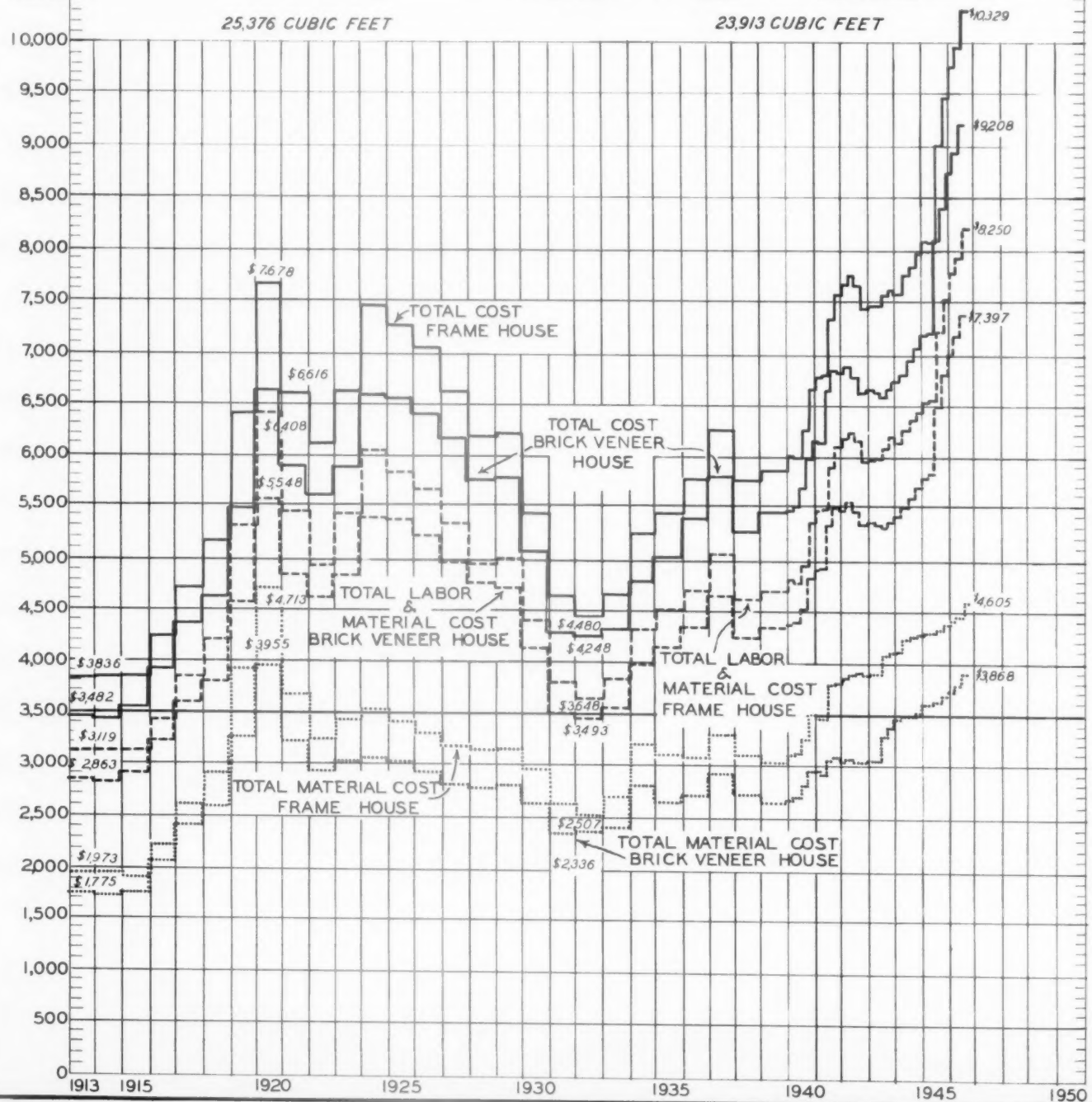
FRAME HOUSE

BRICK VENEER HOUSE

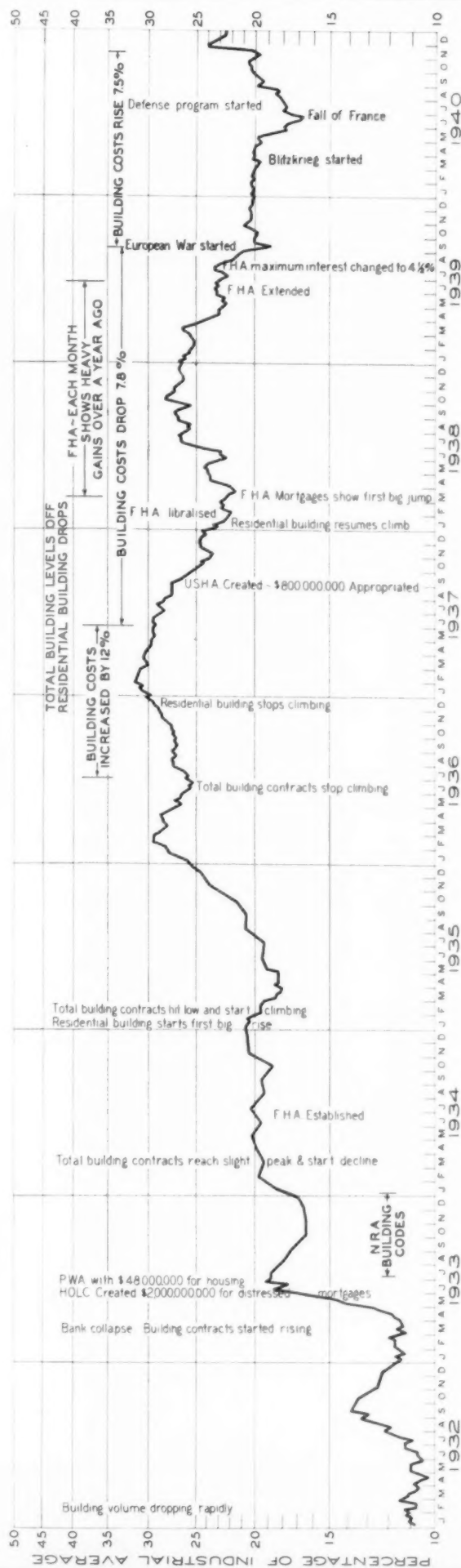


25,376 CUBIC FEET

23,913 CUBIC FEET



# AVERAGE PRICE OF 20 BUILDING MATERIAL STOCKS DIVIDED BY THE DOW JONES INDUSTRIAL AVERAGE



## HOW FAR HAS INFLATION GONE ?

**T**HE chart to the right brings up to date the study from the Real Estate Analyst of February 1945, showing the amount of currency and credit in circulation in the United States per capita. At the time the Second World War started the currency and credit totaled approximately \$482 per capita. The last complete figures available as of January 1, 1946, totaled \$1283 per capita. When the First World War ended in 1918 this figure was \$317 per capita.

The real cause of rising prices and other inflationary trends in the United States is this increase in per capita "money" without a corresponding increase in goods and services. It is the result of our fiscal policies in financing the war. There is no way that prices can be prevented from rising as long as money and credit rise faster than production. Rising prices are the result, not the cause, and the OPA can never cure the difficulty by treating results and ignoring fundamentals.

The only thing which can limit inflation in the United States is all-out production, and organized labor seems intent at the present time on preventing all-out production at the same time that it is criticizing the increases in prices. It may take a depression in 1947 to jolt us back to the point where we will realize that we can't all have more if we work less.

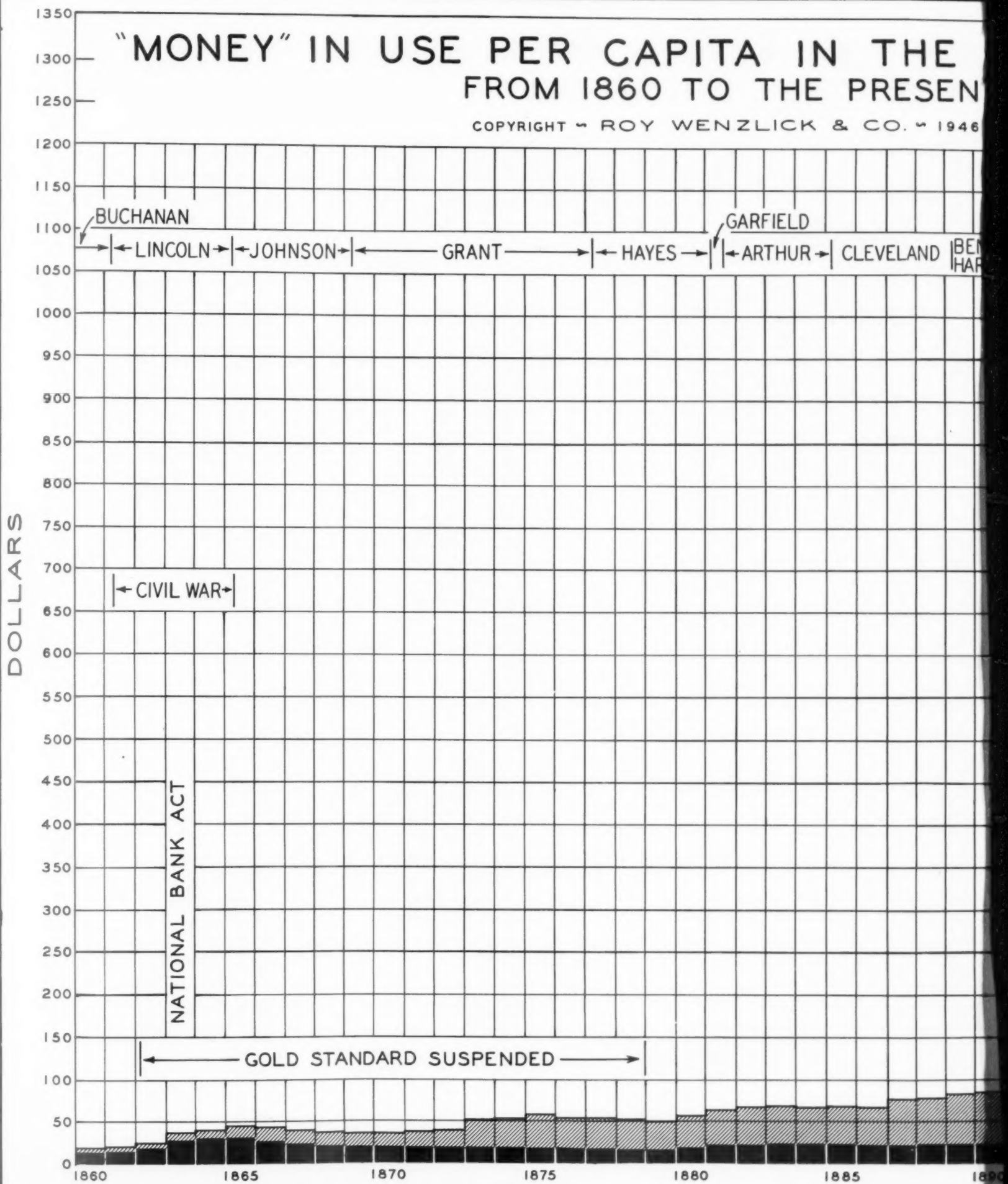


## THE RATE OF POPULATION GROWTH IN THE U. S.

**O**N pages 288 through 290 in this report we show the results of every census made by the Federal government over the entire history of the United States together with the census estimates of population for 1945. The top line on this chart shows the total population as determined by each census in the past. As this is a ratio chart, had the rate of increase remained constant over the entire period - as it did by the way from 1790 to 1860 - this line on our chart would be a straight line and would now show a population of approximately 400 million for the United States. After 1860, however, the rate of population growth has slowly leveled off until in 1945 the census estimated a population of about 140 million. The Bureau of the Census is now estimating that by the year 1990 (44 years from now) we will reach a peak of about 165 million and then we will start a gradual decline. By the year 2000 it expects a population of 163,312,000.

The most significant factors on this chart are the drops in rural population and in rural families from 1940 to 1945, and the accelerated increase in urban families in the same period. This is a partial explanation of the drastic housing shortage in cities at the present time.

In the box at the bottom of the big chart is a smaller chart showing the number of persons to a family from 1850 to 1945. The 1850 census was the first one which accumulated figures from which the family factor can be derived. The 1880 census was the first one from which separate figures on urban and rural families could be computed.



# THE UNITED STATES PRESENT

~ 1946

AND BENJAMIN HARRISON ← CLEVELAND → ← MCKINLEY → ← THEODORE ROOSEVELT → ← TAFT → ← WILSON → ← HARDING →

SPANISH-AMERICAN WAR

PHILIPPINE WAR

FEDERAL RESERVE SYSTEM ORGANIZED

WORLD WAR I

\$218

1890

1895

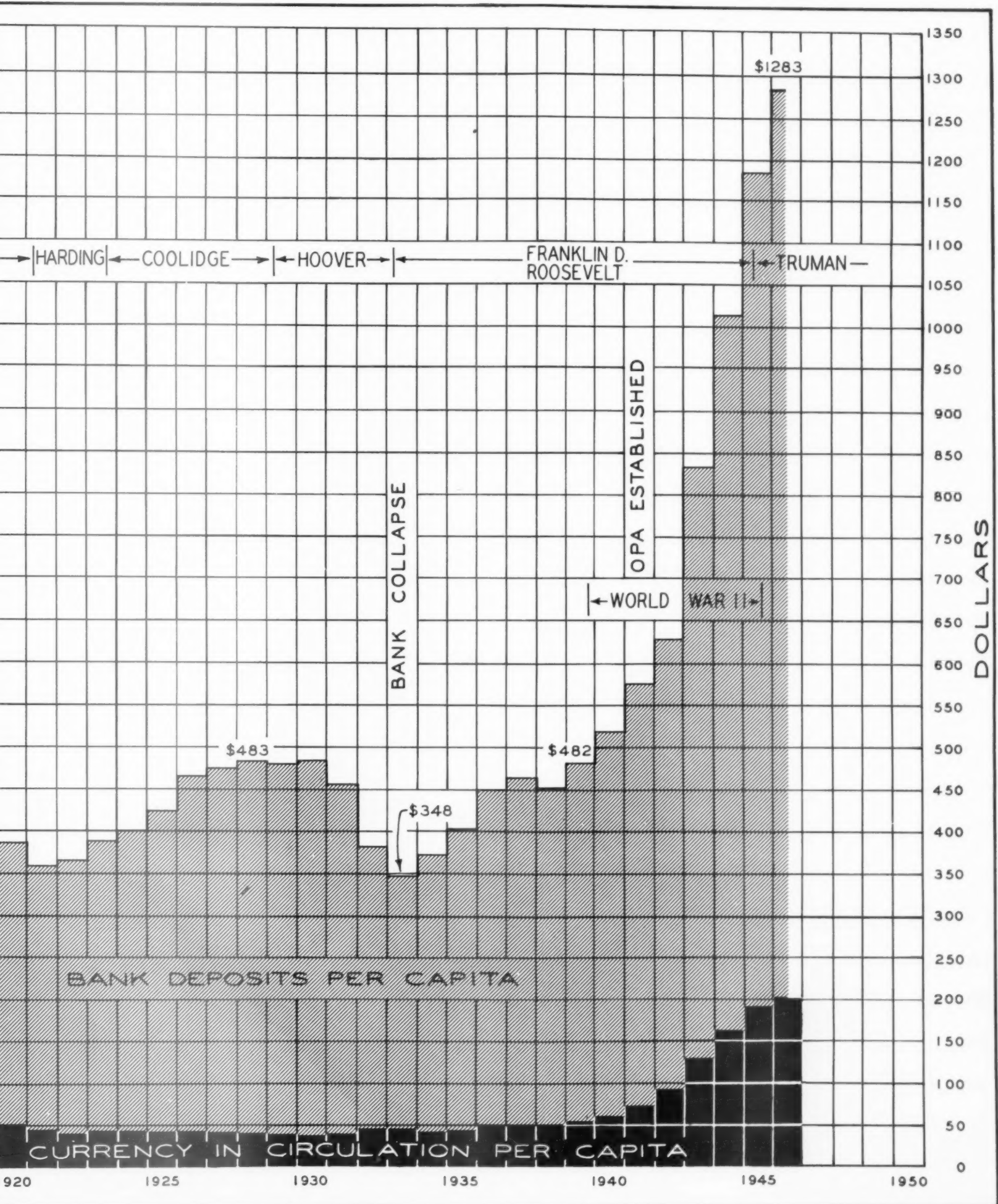
1900

1905

1910

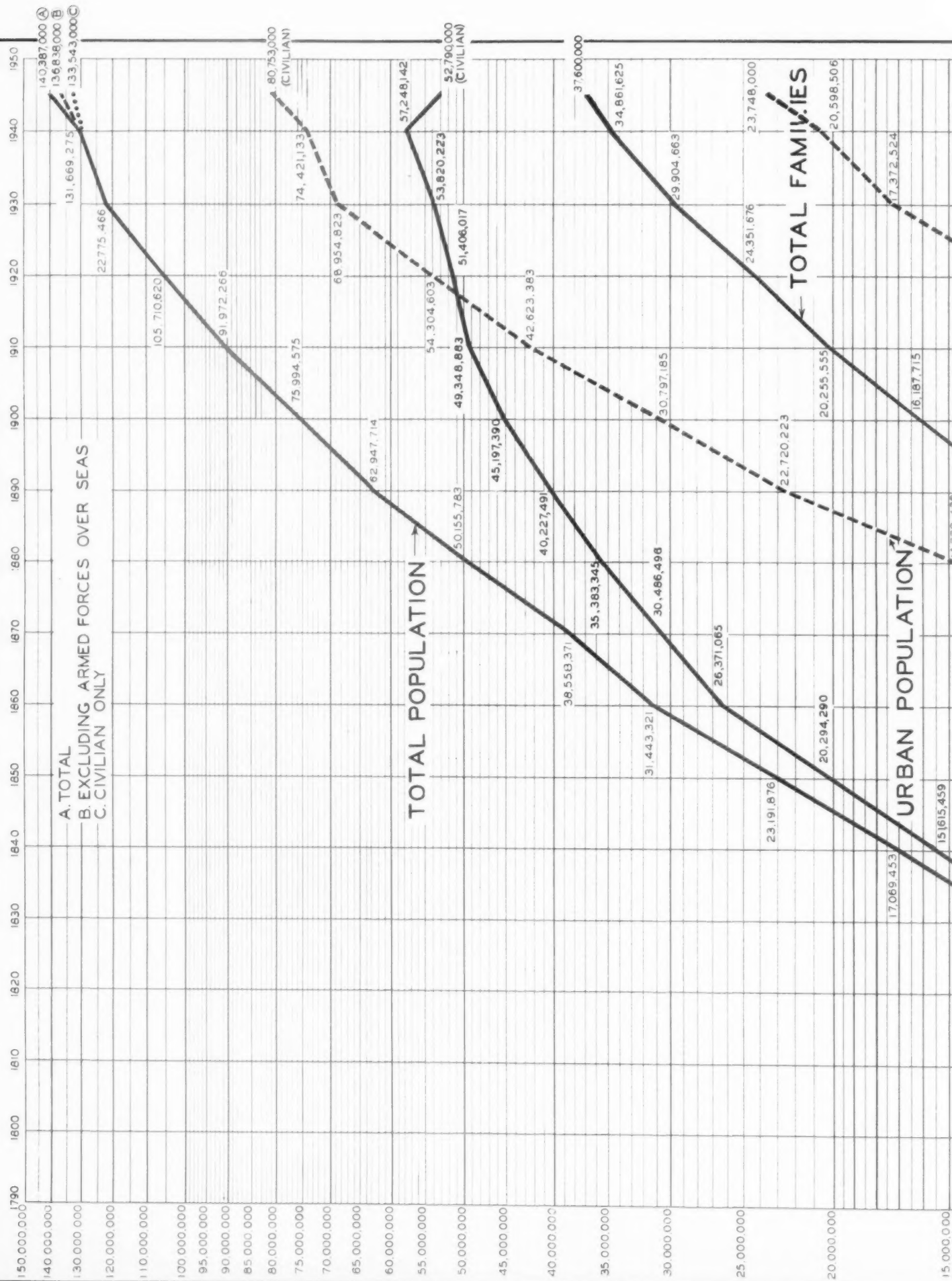
1915

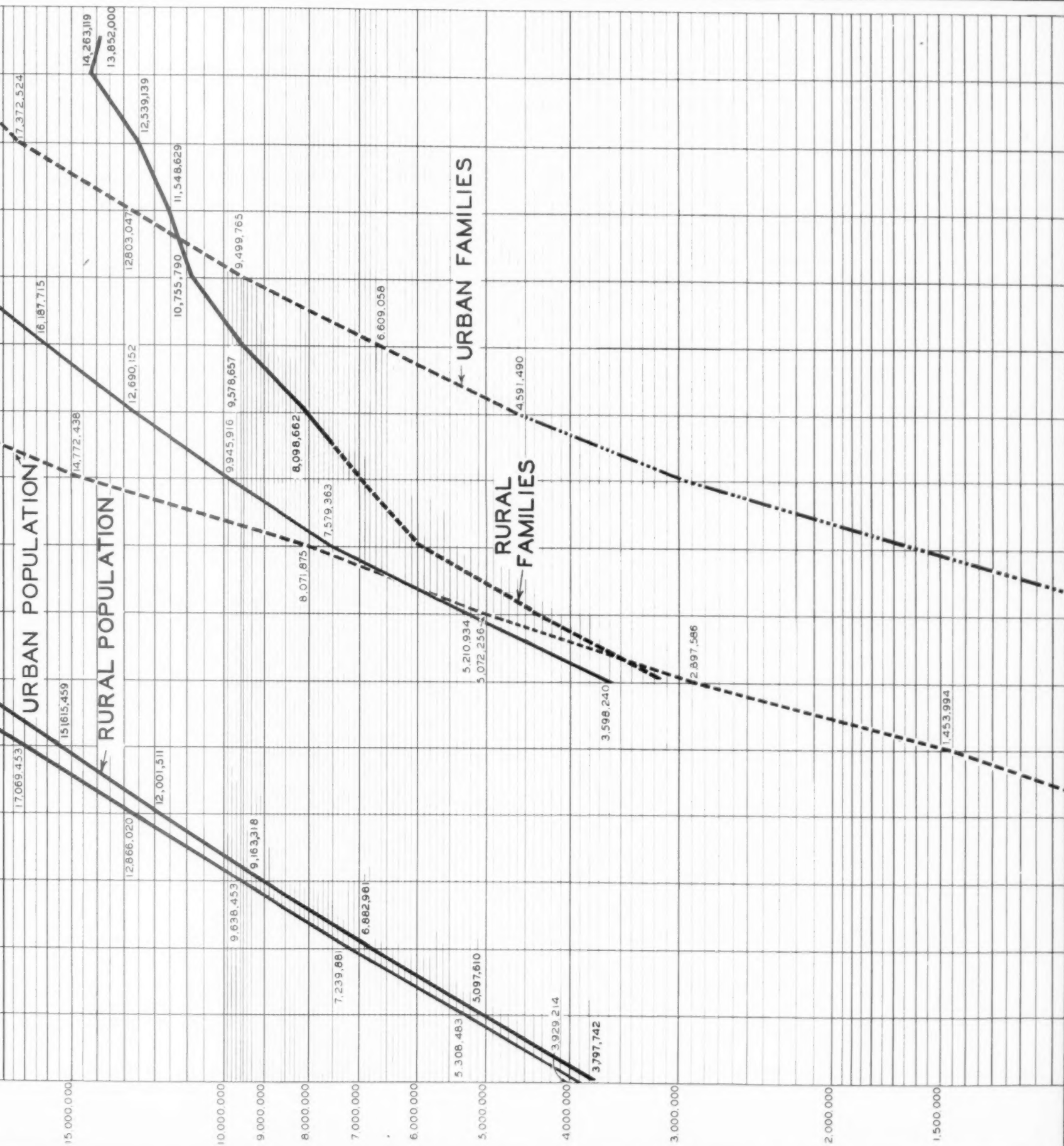
1920

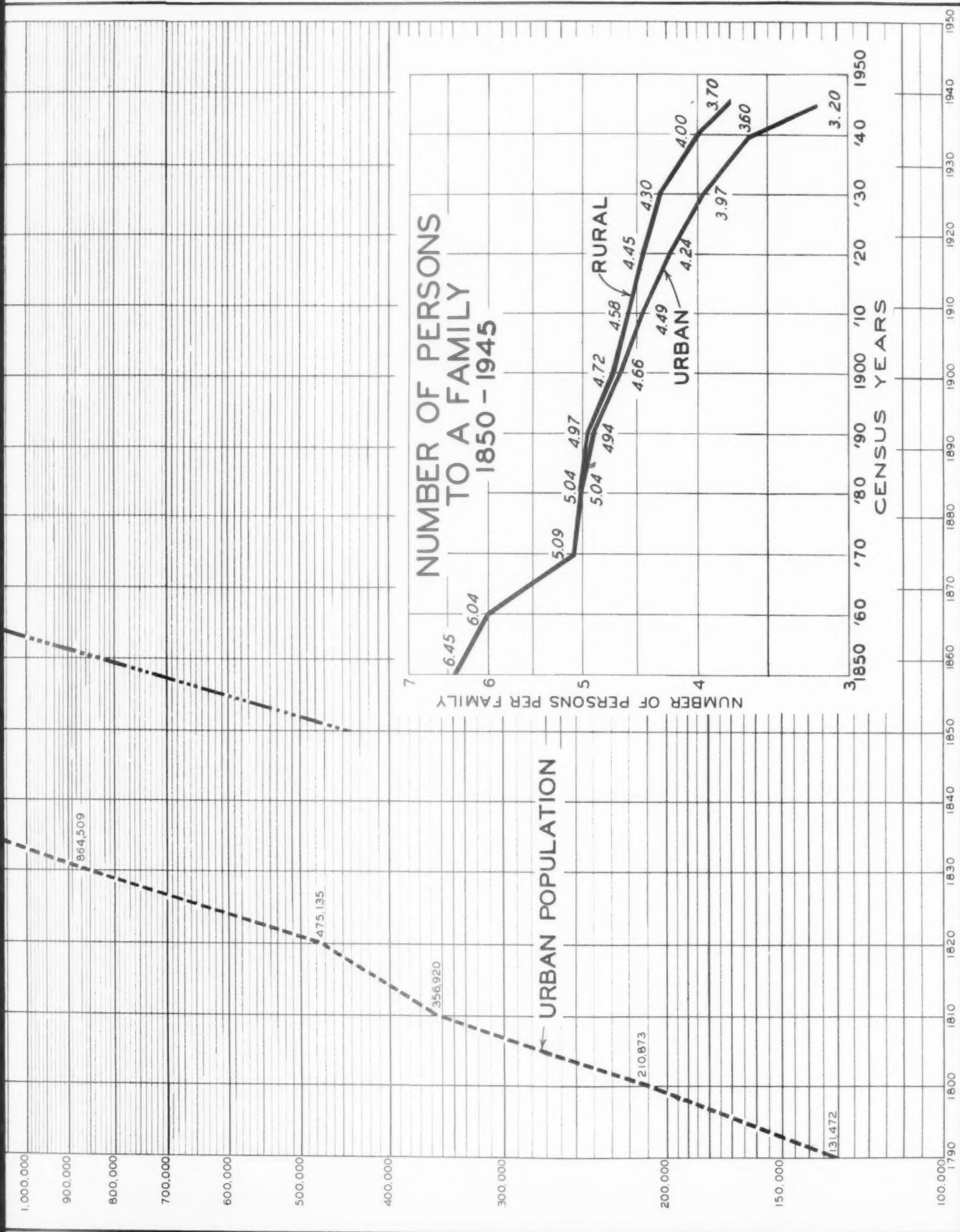


# NUMBER OF PERSONS AND FAMILIES IN THE UNITED STATES 1790-1945

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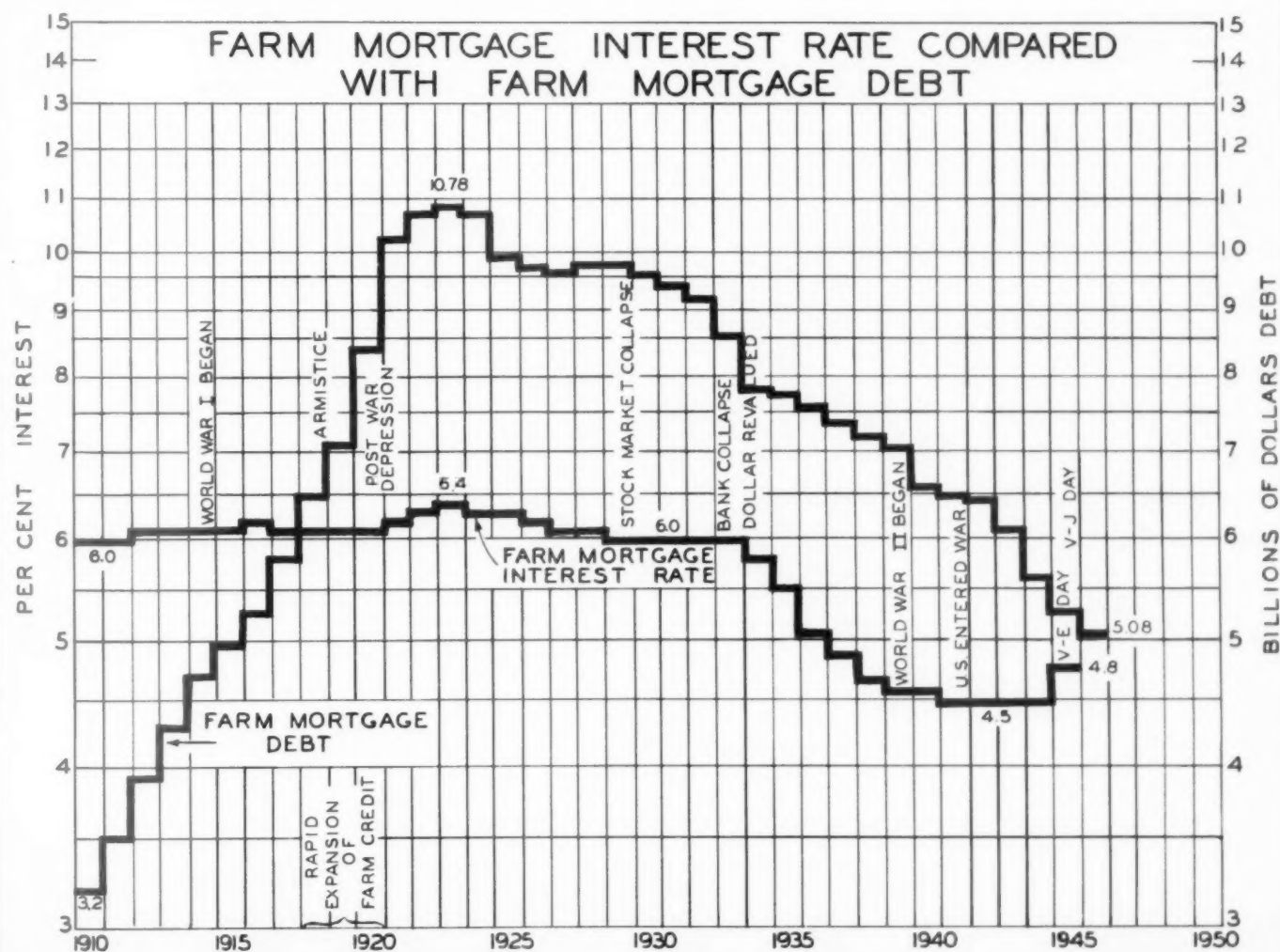


## FARM MORTGAGE INTEREST RATES INCREASE

THE chart at the bottom of the page shows in blue the average interest rate on farm mortgages compared with farm mortgage debt in red in the United States by years, from 1910 to 1945. The chart is based on figures compiled by the Bureau of Agricultural Economics of the Department of Agriculture.

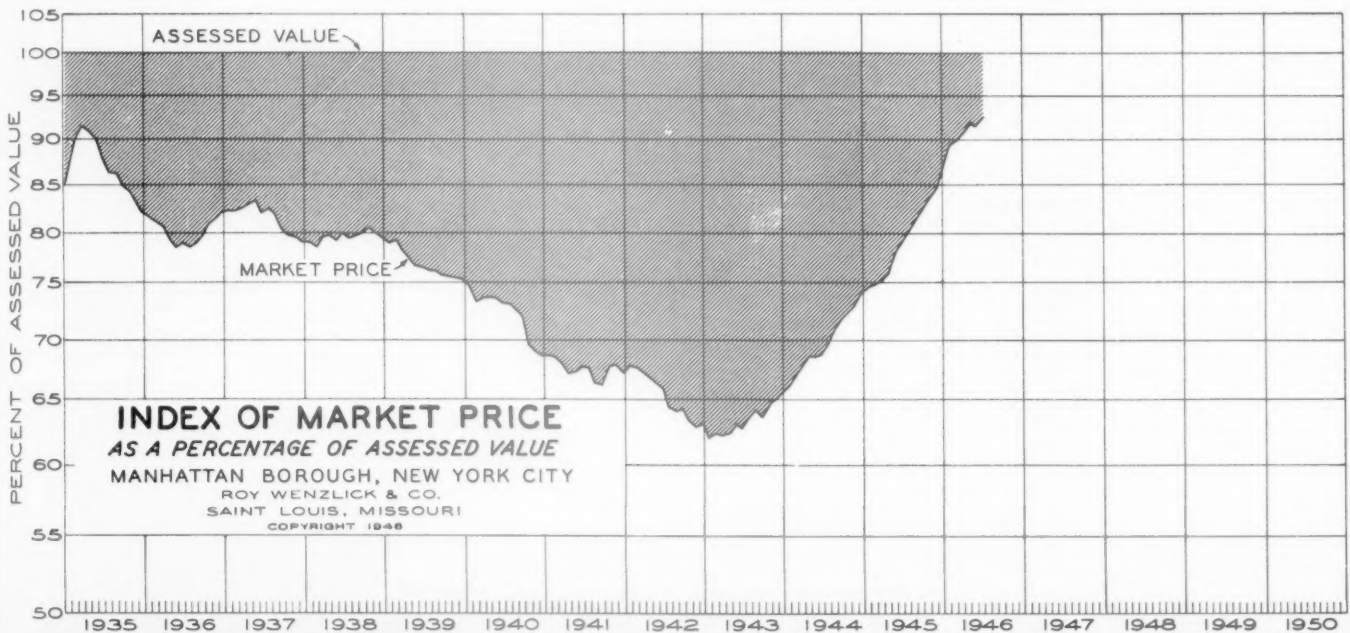
The 1945 interest figure shows the first increase in 22 years in farm mortgage interest rates. It represents an increase of 6.7 per cent over 1944. We stated in the August 1945 Agricultural Bulletin that in many States mortgage interest rates had passed the lowest point. This has been proven; however, we still do not anticipate any rapid upward movement in farm mortgage interest rates in the next few years, as a large part of the drop which has taken place in the last 22 years will not be recouped in any foreseeable period ahead.

The estimated total farm mortgage debt figure for 1946 continued its regular decline to \$5,080,717,000. We do not believe that there will be a rapid expansion of credit in this postwar period similar to that which occurred in 1918, 1919 and 1920 and which was followed by a postwar depression. Also the "risk" element that called for the high interest rates of the postwar period (World War I) has almost been eliminated for private investors as the government has assumed a great part of the risk. Consequently the farm situation, as far as mortgages are concerned, is for the present relatively safe.



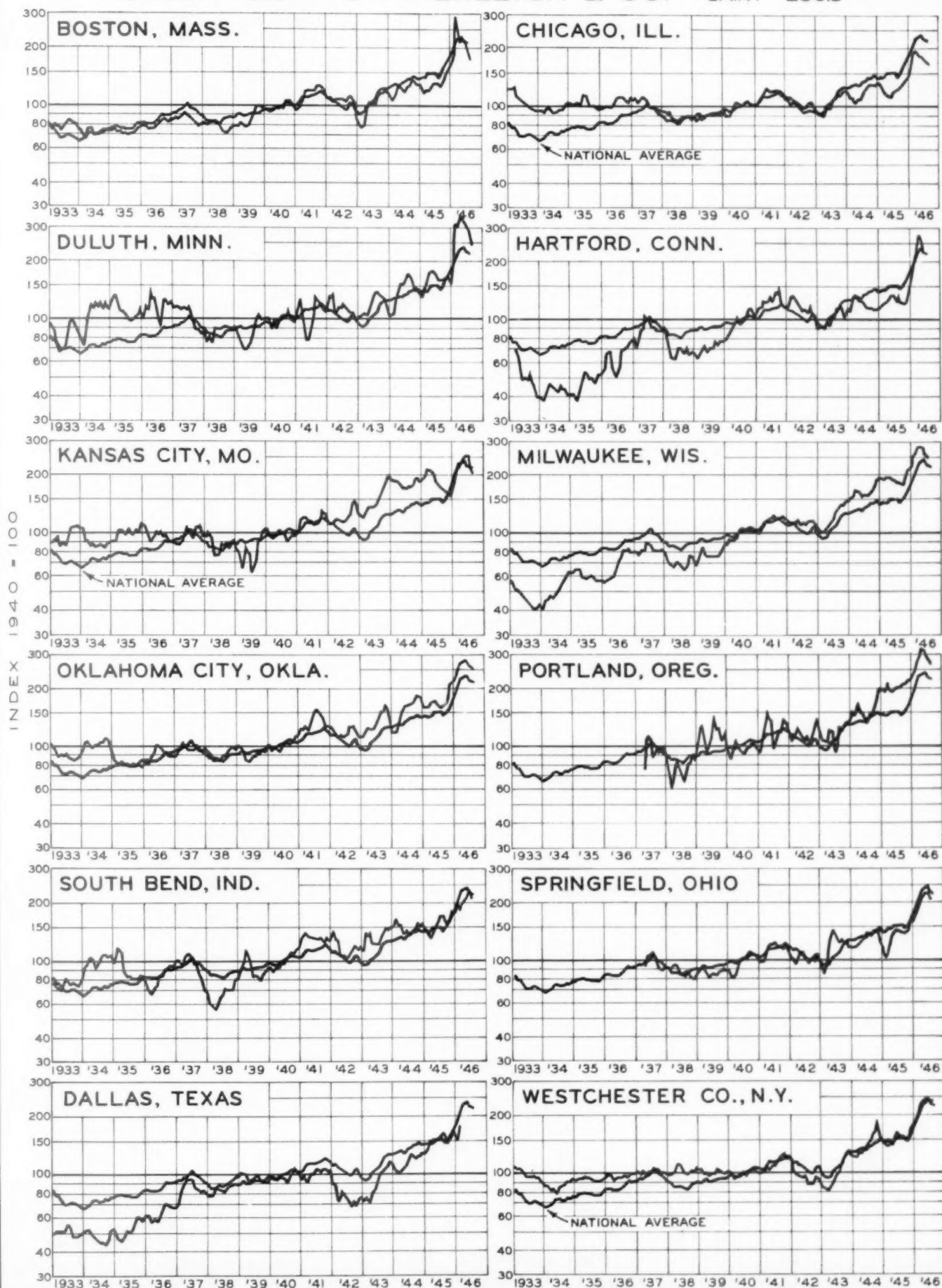
# INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
Jan.	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6	71.8
Feb.	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8	71.8
Mar.	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	62.0	71.8
Apr.	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	62.0	73.2
May	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	62.6	73.2
June	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	62.6	73.9
July	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	64.5	74.6
Aug.	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	64.5	75.4
Sept.	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	65.1	75.7
Oct.	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	65.8	
Nov.	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	65.8	
Dec.	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	67.1	



# REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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# ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS STARTED

1920 .....	247,000	1925 .....	937,000	1930 .....	330,000	1935 .....	221,000
1921 .....	449,000	1926 .....	849,000	1931 .....	254,000	1936 .....	319,000
1922 .....	716,000	1927 .....	810,000	1932 .....	134,000	1937 .....	336,000
1923 .....	871,000	1928 .....	753,000	1933 .....	93,000	1938 .....	406,000
1924 .....	893,000	1929 .....	509,000	1934 .....	126,000	1939 .....	515,000

## MONTHLY FIGURES

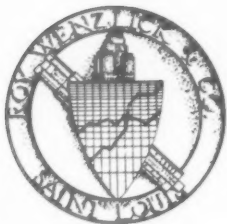
	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
January	32,300	25,700	41,200	34,500	45,000	17,300	7,600	39,600
February	30,700	36,900	43,700	51,300	40,100	13,500	8,400	46,400
March	42,900	46,000	60,200	52,700	33,000	18,100	12,300	65,800
April	42,900	62,900	75,200	59,700	26,700	14,300	18,300	71,200
May	53,300	57,000	70,700	60,600	33,600	16,500	16,900	69,200
June	45,900	44,100	77,200	46,300	21,800	17,500	20,300	64,000
July	44,200	57,600	74,600	26,700	24,200	14,500	20,100	55,700
August	51,200	55,800	69,800	27,500	27,600	12,800	17,100	65,800
September	42,400	58,400	67,000	40,400	24,300	11,300	17,900	
October	42,900	66,200	56,200	32,200	28,100	10,800	25,500	
November	45,100	44,900	46,600	30,400	26,100	11,600	30,600	
December	41,200	47,000	32,800	34,300	19,500	10,800	30,300	

## CUMULATIVE FIGURES

January	32,300	25,700	41,200	34,500	45,000	17,300	7,600	39,600
February	63,000	62,600	84,900	85,800	85,100	30,800	16,000	86,000
March	105,900	108,600	145,100	138,500	118,100	48,900	28,300	151,800
April	148,800	171,500	220,300	198,200	144,800	63,200	46,600	223,000
May	202,100	228,500	291,000	258,800	178,400	79,700	63,500	292,200
June	248,000	272,600	368,200	305,100	200,200	97,200	83,800	356,200
July	292,200	330,200	442,800	331,800	224,400	111,700	103,900	411,900
August	343,400	386,000	512,600	359,300	252,000	124,500	121,000	477,700
September	385,800	444,400	579,600	399,700	276,300	135,800	138,900	
October	428,700	510,600	635,800	431,900	304,400	146,600	164,400	
November	473,800	555,500	682,400	462,300	330,500	158,200	195,000	
December	515,000	602,500	715,200	496,600	350,000	169,000	225,300	

## 12-MONTH MOVING TOTALS

January	508,400	618,000	708,500	507,100	322,300	159,300	257,300
February	514,600	624,800	716,100	495,900	295,700	154,200	295,300
March	517,700	639,000	708,600	476,200	280,800	148,400	348,800
April	537,700	651,300	693,100	443,200	268,400	152,400	401,700
May	541,400	665,000	683,000	416,200	251,300	152,800	454,000
June	539,600	698,100	652,100	391,700	247,000	155,600	497,700
July	553,000	715,100	604,200	389,200	237,300	161,200	533,300
August	557,600	729,100	561,900	389,300	222,500	165,500	582,000
September	573,600	737,700	535,300	373,200	209,500	172,100	
October	596,900	727,700	511,300	369,100	192,200	186,800	
November	596,700	729,400	495,100	364,800	177,700	205,800	
December	515,000	602,500	715,200	496,600	350,000	169,000	225,300



# The Real Estate TRENDS

SEPTEMBER 30  
1946

A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

VOLUME XV

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## SALES ADVICE

In May we first suggested in our complete reports the liquidation of single-family residences, particularly if they were older and had considerable obsolescence. We have re-emphasized this each month since and we feel that additional emphasis should be placed on the selling of this type of property.

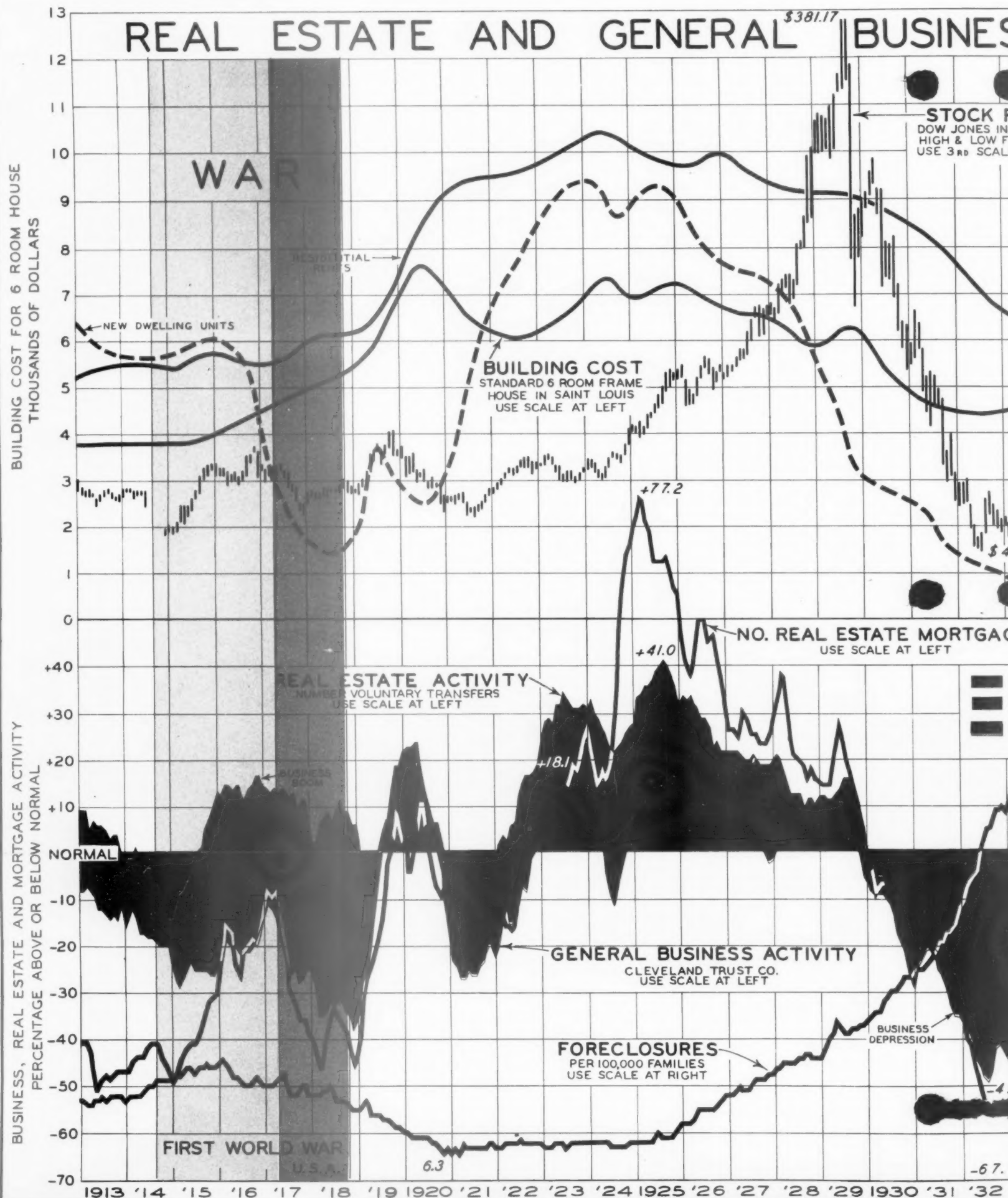
The break in the stock market would seem to indicate a readjustment not later than next year in the general business situation, and this readjustment will affect adversely the scarcity premium which single-family residences now enjoy. There will still be a housing shortage next year, however; but the situation will not be quite so acute as it has been, and within three or four years we believe that the entire scarcity premium on older buildings will disappear. If these sell again as we think they will for replacement cost less accrued depreciation, some of them will see drops in sales value of from thirty to sixty per cent. In a normal market buyers use considerable discrimination in buying older buildings and insist that these buildings be greatly discounted in comparison with newer, more modern buildings. In periods of acute housing shortage this is not the case, as the buyer is buying shelter and gives inadequate allowance to physical deterioration and obsolescence. In 1942 and 1946 we have made surveys in 129 cities from which we can study the relationship of rents to selling prices. In the twenties it was assumed that a single-family residence was worth 100 times its monthly rent. Our survey in June 1942 showed that residences were selling for 120 times the rent, and the survey in June 1946 showed 154 times the monthly rent. If you haven't as yet sold buildings of this sort, sell them.

We are still bullish, however, on the outlook for office buildings, hotels and many types of good retail properties. We have previously advised the selling of obsolete industrial plants, and if this has not yet been done, try to get out now.

Land suitable for residential development should be sold not later than three to four years from now. Land of this type has been declining in price over the past 100 years with occasional short upward movements accompanying building booms. The best price in each of these short recovery periods has been secured when the building boom was at the peak. If held past this point it will probably be liquidated with difficulty and for an unfavorable amount.

## REAL ESTATE ACTIVITY

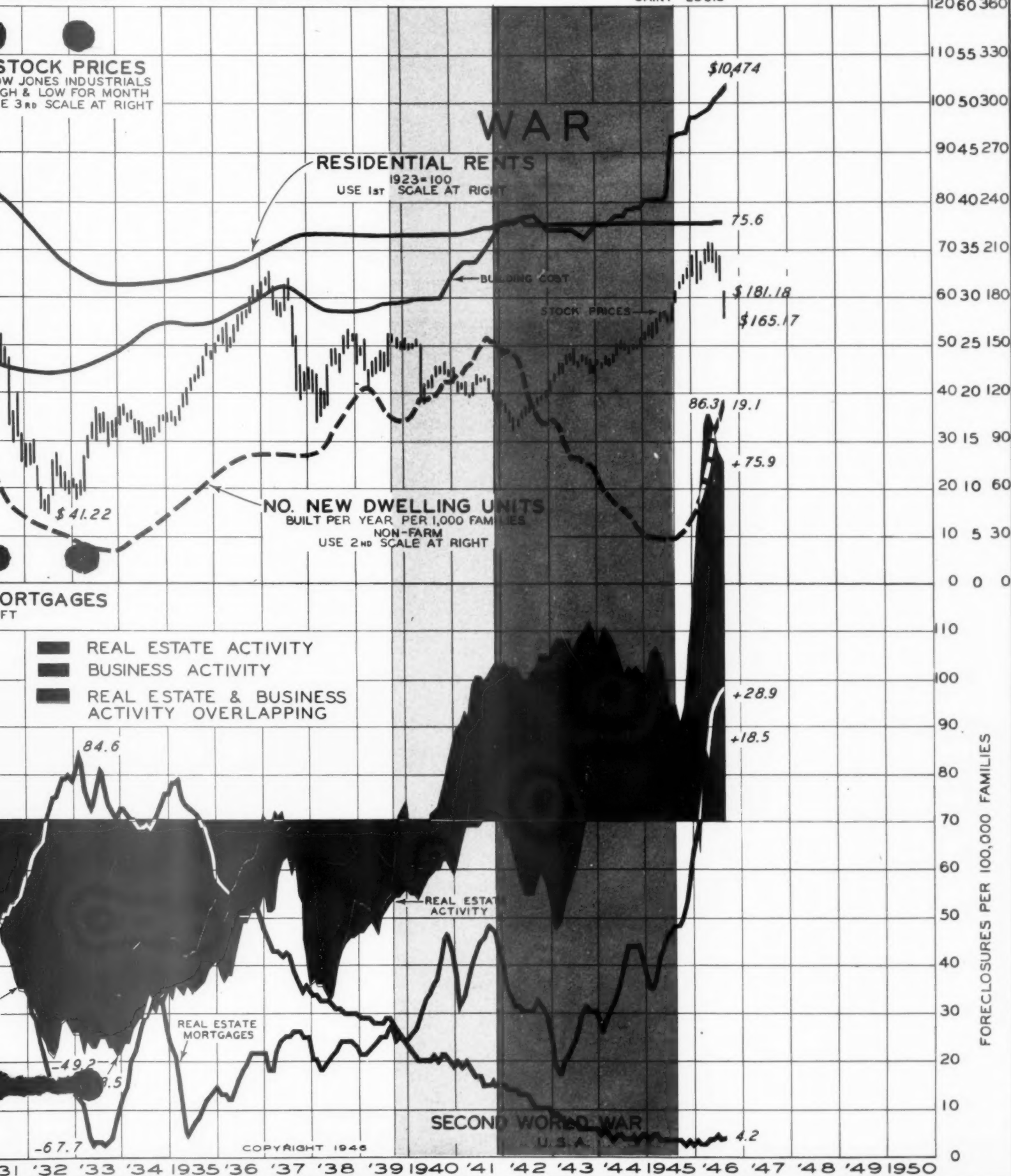
Voluntary transfers of urban real estate slowed down still further during the month of August, the last month for which figures are available. Our present index stands at 75.9 per cent above normal in contrast with the high



# BUSINESS INDICATORS

ROY WENZLICK & CO.  
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS  
SAINT LOUIS

STOCK PRICES  
LOW JONES INDUSTRIALS  
HIGH & LOW FOR MONTH  
USE 3RD SCALE AT RIGHT



## FEDERAL PUBLIC DEBT

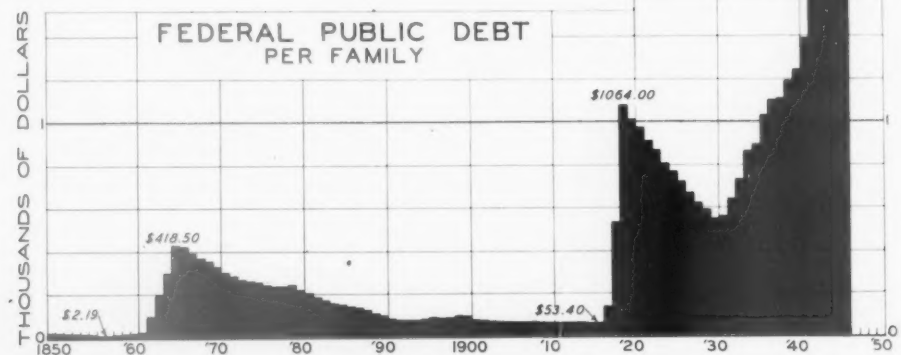
**T**HE chart below shows the average Federal public debt per family, which reached a peak of \$7350 in December 1945 and is not much lower at the present time - \$6950 per family.

As against the present \$6950 per family of Federal public debt, in 1857 the Federal debt amounted to \$2.19 per family. As a result of the Civil War a peak was reached in 1865 of \$418.50. This amount was steadily reduced until 1915 when the average Federal public debt per family was \$53.40. The debt climbed to \$1064 in 1919 as a result of the First World War. It then dropped until 1930 when it stood at \$541. By 1940, before we started our defense program and when we were spending a smaller percentage of our national income on our army and navy than we had been in the intervening period, our debt had exceeded the highest point of World War I. The increase in the Federal debt during this period was due almost entirely to the attempt to spend our way out of the depression. When the war started in Europe, after these tremendous government payments, ten million were still unemployed.

A comparison of income per family with Federal debt per family is not reassuring. It is true that incomes have increased since the beginning of the war; various studies have been made to determine the distribution of income during the past years. The Bureau of Labor Statistics, for example, conducted a sample survey which indicated that the median annual money income of city families rose from \$1860 in 1941 to \$3000 in 1944.

A more recent survey made by the Bureau of Agricultural Economics for the Board of Governors of the Federal Reserve System measured the distribution of incomes in 1945 for a representative cross-section of urban and rural population. The median money income per spending unit according to this study was \$2020 in 1945. ("Spending units" are not altogether comparable to family units since one-fourth of the families consist of more than one spending unit.) Only 7.4 per cent of the spending units in this survey had incomes of \$5000 or more.

It is quite evident that now, when national income is still relatively high, is the time for every effort to be made to reduce the Federal debt.





of last May of 86.3 per cent. August of a year ago, however, was only 24.6 per cent above normal.

It seems to us that real estate activity is going to continue to decline from the very high level reached last spring, but this decline does not indicate that the real estate boom is over. It seems to us that the shape of the boom on our charts when the next five to ten years have enabled us to figure in the actual figures, will be a two-peaked area - the first peak already established in May, the next peak probably coming in 1948 or 1949. It seems entirely probable that the peak in 1948 or 1949 will not go so high on our chart as the peak reached in May. By that time the greater part of the scarcity premium on existing houses will be past and the activity will be proceeding more nearly on a justified value. By that time, too, the boom will have spread to all types of commercial property and we will be building large buildings. It should be remembered, however, that the outlines of the areas on our chart are formed by the amount of real estate activity rather than by the price at which property changes hands. There is a rough relationship, however, between the two.

Our advice still stands to sell farms, although we expect no sudden collapse in the farm market. The market is in good financial shape and our advice is based solely on the fact that we think both demand for and price of farm products are at or past the peak.

**REAL ESTATE MORTGAGES** As shown on our chart, real estate mortgage activity advanced from 28 per cent above normal in July to 28.9 per cent in August. The rapid rise in mortgage activity is probably over for the near future, but we think that levels substantially close to the present level should be maintained for the balance of the year. This level is considerably above the levels of any period since before the stock market crash in 1929.

**FORECLOSURES** In August 1946 our foreclosure index stood at an annual rate of 4.2 foreclosures per 100,000 families. This is the fourth year in which foreclosures have been below the record for all preceding periods, and we see no reason why foreclosures should be expected to increase by any marked percentage during 1946 or the first six months of 1947. Until foreclosures advance successively month after month by fairly large amounts, there will be no indication that the real estate boom is coming to an end.

**RESIDENTIAL BUILDING** During the month of August permits were issued in nonfarm areas of the United States for 65,800 family dwelling units. This is below the figures for April and May. We reached a peak in April of 71,200; the figure for May was 69,200, for June was 64,000, for July was 55,700, and for August was 65,800. This is not the usual seasonal movement.

It should be pointed out that these figures are for the dwelling units covered by new building permits. Due to government restrictions, however, and to price ceilings on building materials, many buildings started are not completed. Only about one building in five started in 1946 has been completed. The balance are in

various stages of construction, many being held up for want of some scarce article.

#### CONSTRUCTION COSTS

The cost of building our standard six-room frame house in St. Louis on September 20 was \$10,474. This is an increase of \$118 over August 20. The increase was primarily in materials. This is 78 per cent above the cost of building the house at the time that the war started in Europe. Our guess is that the cost of this building will reach \$11,500 some time next year.

#### RENTS

No change has taken place in our rent index, and none was expected. We would strongly endorse the stand on rent control of the National Association of Real Estate Boards arrived at this month in Washington at a meeting of the presidents of the various boards throughout the country. The National Association of Real Estate Boards will recommend to Congress that rent control be terminated immediately on all residential buildings to be built. This seems to us fundamental. In addition, the National Association of Real Estate Boards will recommend that rent control be eliminated on March 31, 1947, on all existing housing units whose owners will offer their tenants a lease for a period of at least 12 months from that date with an average monthly rental not more than 15 per cent higher than the rent allowed on September 1, 1946.

This means that tenants will be protected with a guarantee of rents not higher than 15 per cent above the September 1946 level until the spring of 1948. The OPA expires in June of 1947. The Housing Administration has said that conditions will be more nearly normal by the spring of 1948. This proposal which will be made to Congress seems to us exceedingly fair. The owner is really entitled to a far larger increase than this and the tenant should be quite happy with the added protection after the expiration of the OPA.

#### BUSINESS ACTIVITY

In spite of labor trouble, business is continuing to show gains and while profits are not too good, activity will be relatively high during the balance of 1946. We believe that it will recede again some time in 1947 and that some readjustment will take place then.

#### STOCK MARKET

The readjustment in the market which we indicated in our report for July 31 might take place has been more severe than is justified by the business outlook, but the market is extremely thin and a relatively small number of sales can bring about a major change in price.

The Dow theorists now believe that we are in a bear market, and if this be true we should reach a reaction high some time later in the year. This will probably be about the time of the elections as at that time the Republicans will be making some striking gains and for this reason many people will re-enter the market. If the Dow theorists are right, however, the market will again drop and some time next spring would probably reach its low. In the meantime either stay clear of the market, holding reserves in cash until the uncertain trends have become clearer, or buy good stocks for the intermediate rise, trying to get out after the reaction rise, too soon rather than too late.